

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Xcel Energy's Petition for
Approval of a Distributed Generation Tariff

ISSUE DATE: July 14, 2006

DOCKET NO. E-002/M-04-2055

ORDER APPROVING DISTRIBUTED
GENERATION TARIFF AND STANDBY
SERVICE RIDER AS MODIFIED AND
REQUIRING FILINGS

PROCEDURAL HISTORY

On September 28, 2004, the Commission issued its ORDER ESTABLISHING STANDARDS, governing the terms under which a retail electric utility would interconnect with a customer's plant that uses certain "clean" fuels to generate up to ten megawatts (MW) of power for use on-site by the customer, with any unused electricity sold to the utility.¹ The Commission referred to these plants as "distributed generation" (DG). The Commission directed retail electric public utilities to file tariffs consistent with the new standards.

On December 27, 2004, Northern States Power Company d/b/a Xcel Energy (Xcel) initiated the current docket by proposing terms under which it would interconnect with and support the operations of a DG customer.

As of May 25, 2005, the Commission had received comments from the Minnesota Department of Commerce (the Department) and collectively from CenterPoint Energy, Frauenschuh Power Development, Hennepin County's Department of Environmental Services, the Institute for Local Self-Reliance, the Izaak Walton League of America's Midwest Office, Korridor Capital Investments LLC, the Minnesota Chamber of Commerce, and The Minnesota Project (collectively, the DG Coalition).

On June 13, 2005, Xcel filed reply comments.

On August 9, 2005, the Department filed supplemental comments.

¹ *In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212, Docket No. E-999/CI-01-1023, ORDER ESTABLISHING STANDARDS (September 28, 2004).*

On August 22, 2005, Xcel replied to the Department's supplemental comments.

On September 29, 2005, this matter came before the Commission. The Commission deferred action, giving the parties additional time in which to resolve their disputes.

On December 7, 2005, Xcel filed comments summarizing how the parties had resolved certain issues, and identifying issues the parties had not yet resolved.

On February 17, 2006, Xcel proposed new terms for its tariffs under which it would interconnect with and support the operations of a DG customer.

On April 21, 2006, the Department filed comments on Xcel's new proposal.

This matter came before the Commission on June 8, 2006.

FINDINGS AND CONCLUSIONS

I. Background

Most electricity is generated at large power plants, then transmitted long distances to where it is needed. In contrast, distributed generation refers to the practice of generating electricity with multiple, dispersed power plants, typically located closer to the customer being served. Many benefits have been attributed to distributed generation, including reducing the demand on long-distance transmission lines, enhancing reliability, ameliorating environmental consequences and increasing customer choice.

The potential for these benefits would be lost, however, if the process of connecting small generators to the electric grid proved too dangerous, or the process of negotiating such connections proved too burdensome. To avoid this outcome, the Legislature directed the Commission to establish parameters for interconnection that would balance the needs of the utility and its ratepayers with the needs of the small generators. Utilities would then propose tariffs establishing standardized terms for interconnection consistent with the Commission-approved parameters. Minn. Stat. § 216B.1611, subd. 2.

As noted above, the Commission adopted appropriate standards on September 28, 2004, and directed utilities to file distributed generation tariffs that conformed to the standards. Xcel's response to that order is the subject of the current docket.

II. Xcel's Proposal

Xcel's initial filing contained an 84-page proposed Distributed Generation Standard Interconnection and Power Purchase Tariff, establishing terms governing the relationship between Xcel and a DG customer.

Xcel's February 21, 2006 filing revised this proposal. It also proposed to modify Xcel's Standard Standby Service Rider (that is, terms for an optional service offered to customers who also accept some other "basic" tariffed service) that establishes terms under which Xcel supplies temporary service in the event a customer's generator proves to be inadequate to meet the customer's needs.

III. Analysis and Commission Action

The Department supported most aspects of Xcel's February 17, 2006 proposal as filed, but both the Department and the DG Coalition recommend modifications and clarifications. At hearing Xcel and the Department came to agreement about a set of proposed modifications and clarifications, and no party spoke in opposition.

The Commission appreciates the efforts of all parties in fashioning workable policies for removing unwarranted impediments to DG development. Having reviewed the record of the case and the arguments of all parties, the Commission will adopt Xcel's proposal as revised and clarified in the Ordering paragraphs.

To implement the changes discussed below, the Commission will direct Xcel to file conforming tariffs within 30 days of the date of this Order. In the interest of clarity, the Commission will direct Xcel to include with its filing a "redlined" version that retains but strikes out deleted text, and displays new text in a distinctive fashion.

The Commission will so order.

IV. Looking Ahead

Xcel and the Department also agreed that the Company would provide several items in annual compliance filings, either on a one-time or on-going basis. See Order Paragraphs 7 to 12.

In addition, when Xcel has 24 months of experience with its DG tariff, Xcel will report on the number of customers meeting the 60 kW exemption and their standby usage. This report will be due September 28, 2008.

Finally, Xcel has announced its intention to seek Commission approval to withdraw its Small Wind Tariff (2 MW DG Tariff) once this 10 MW DG Tariff proposed in this docket is approved. Xcel will notify persons on the service list for the merger docket² when it petitions the Commission for approval to withdraw the 2 MW DG Tariff.

² On June 12, 2000, the Commission issued its order approving the merger of Northern States Power Company (NSP) and New Century Energies, Inc. to form Xcel Energy. *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E,G-002/PA-99-1031 ORDER APPROVING MERGER AS CONDITIONED. As part of that Order, the Commission approved the agreements that NSP had made with the Izaak Walton League of America (IWLA), the Minnesota Department of Commerce (the Department), the Minnesota Office of the Attorney General's Residential and Small Business Utilities Division (OAG-RUD) and Minnesotans for an Energy Efficient Economy (ME3). In these agreements, NSP agreed to file a distributed generation (DG) tariff with the Commission.

ORDER

1. Xcel's revised Distributed Generation Tariff and related Standby Service Rider filed February 21, 2006 are approved as further revised in the following Order Paragraphs, 2-6.
2. Regarding Tariff Sheet No. 73, SERVICES AND STUDIES, Xcel shall add the following language: Please see the Process for Interconnection in this section for more information regarding these studies.
3. Regarding Tariff Sheet No. 76, POWER PURCHASE AGREEMENT TERMS, Energy and Capacity Purchase Payments, Xcel shall 1) provide the starting value for its capacity schedule in its compliance filing; and 2) add language to the tariff identifying specific project characteristics that may result in adjustments from the starting value.
4. Regarding Tariff at Sheet No. 74, STANDBY SERVICE REQUIREMENT, Xcel shall modify its proposed language as follows:

All customers eligible for this DG tariff who use their generation to serve on-site load ~~may shall be required to~~ contract for Standby Service from the Company. If the customer chooses not to contract for Standby Service, standby power may not be available.

5. Regarding Xcel's Standby Service Rider, Section 5, Sheet No. 102, DETERMINATION OF DEMAND, Xcel shall provide a copy of this rider in its compliance filing with the following additional language regarding the reservation fee:

. . . with the maximum value for a customer's Contracted Standby Capacity being the amount of load served on-site by the customer's generation, but in no case more than the capacity of the customer's generation facility.
6. Regarding Tariff at Sheet No. 77, TERMS AND CONDITIONS OF SERVICE, Xcel shall not reference taxes but shall use generic language similar to the language used in other electric utilities' DG tariffs, such as "actual costs."

Annual Compliance Filings

7. By January 31 of each year, Xcel shall file the DG interconnection report as required by Minn. Stat. § 216B.1611, subdivision 4.
8. On or before January 31 of each year, Xcel shall make rate compliance filings for the following:
 - an updated energy payment schedule if different from the previous year;
 - an updated capacity payment schedule if different from the previous year;
 - an updated renewable resource credit schedule if different from the previous year;
 - the average tradable emissions credit for the previous year; and
 - a discussion of and support for any and all changes in the schedules.

9. In its annual compliance filings, Xcel shall provide calculations and the prices it charged during the year for the renewable resource credit and address distributed generation metering: whether and to what extent there were complaints or concerns that the metering issue was a barrier to development of DG.

One-Time Compliance Filings

10. In its next compliance filing, Xcel shall provide cost support for its proposed meter and billing charges.
11. In its next compliance filing, Xcel shall provide support for interconnection cost ranges for DG size ranges and for Typical Telemetry Cost Ranges. For each interconnection cost range, Xcel shall provide clarification linking the costs to the modifications and upgrades listed in the tariff.

Other Compliance Items

12. On or before September 28, 2008, when Xcel has 24 months of experience with its DG tariff, Xcel shall report on the number of customers meeting the 60 kW exemption and their standby usage.
13. Within 30 days of this Order, Xcel shall file a revised tariff and standby rider complying with the Commission's modifications, and shall include redlined copies showing how the text has been changed from what was proposed on February 21, 2006.

Other

14. If, following the approval of the 10 MW DG Tariff in this Order, Xcel petitions the Commission for approval to withdraw its 2 MW DG Tariff, Xcel shall notify persons on the service list in Docket No. E,G-002/PA-99-1031 (the merger docket).
15. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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